

BUDGET BRIEF

2021-22 Governor's Budget Proposal: Provides Relief for Learning Loss, Reduces Deferrals and Increases LCFF

Background

On January 8, 2021, Governor Gavin Newsom released his budget proposal for the 2021-22 fiscal year. The Governor's Budget is the "kick-off" to the 2021-22 budget cycle which will result in the state budget that will take effect on July 1, 2021. But this year, the Governor also proposes early action on adjustments to the current year budget to address COVID-19 (COVID) pandemic issues and reflect newly projected increases in state general fund revenues. [You can read CCSA's Statement on the Governor's Budget here.](#) [The full Governor's Budget Summary and detail can be found here.](#) All of the governor's proposals are subject to legislative approval and amendment. This brief provides a summary of the Governor's plan as it relates to education and charter schools.

Budget Overview

The budget contains \$164.5 billion in General Fund expenditures in 2021-22, including \$85.8 billion for Transitional Kindergarten (TK) through community college education under the Proposition 98 school funding guarantee. The budget proposal also contains a comprehensive mid-year adjustment proposal related to COVID relief across various sectors of state government, including \$3 billion for various economic recovery proposals and \$2 billion for TK-12 education. The Governor requests the Legislature take urgent action to enact these midyear adjustments as soon as possible.

TK-12 Highlights

The Proposition 98 funding for TK-12 schools and community colleges for 2021-22 is \$85.8 billion. This is a \$14.9 billion increase over the level funded in the 2020-21 Budget Act. Further, there are one-time settle-up adjustments to Proposition 98 which increase the guarantee by \$1.9 billion in 2019-20 and \$11.9 billion in 2020-21 fiscal years.

Specifically, for 2021-22, the budget proposes a \$2 billion augmentation to the Local Control Funding Formula (LCFF) to provide a cost of living adjustment (COLA) of 3.84 percent, approximately \$9.2 billion to buy-back apportionment deferrals, and a combined \$6.4 billion for school restart and learning loss mitigation. For charter schools, the budget includes a COLA of 1.5 percent to the SB 740 Facility Grant Program, increasing the program to \$141.6 million. Funding and policy highlights include:

- \$2 billion dollars for COVID-relief grants, proposed for urgent action, to establish incentives for school reopening in the 2020-21 school year.
- A Cost of Living Adjustment (COLA) of 3.84 percent to the Local Control Funding Formula (LCFF), which represents a compounded COLA of the deferred 2020-21 COLA and the statutory COLA for 2021-22.



- \$9.2 billion to buy-back approximately two-thirds of apportionment deferrals enacted last year, starting in 2021-22. \$3.7 billion in continuing deferrals would be retained. No deferral relief is proposed for the current year.
- A COLA of 1.5 percent for non-LCFF categorical programs such as special education, mandate block grants, nutrition and childcare, and SB 740 Charter Facility Grants.
- \$141 million for the SB 740 Charter School Facility Grant Program.
- \$4.6 billion for one-time grants for targeted strategies that address learning loss such as extended year, before and after school programs, and summer school.
- \$500 million one-time package of teacher supports for professional development and pipeline programs.
- \$300 million for special education early intervention.
- Not specifically included in the state budget proposal is approximately \$6.7 billion to TK-12 schools from the federal relief package approved in December, to be allocated based on schools' Title I counts.
- Adults in Charters: The governor proposes to increase accountability and clarity on "exclusive partnerships" that allow charters to serve adults, through greater oversight by the CA Department of Education (CDE), but would hold harmless schools operating as of 2019-20, after a review of their program. The details of this plan are still not available.
- LCFF: Clarifying laws to require that carryover of LCFF supplemental funds must be used for their original purpose to improve services for high-needs students.

These highlights and other issues are discussed in greater detail below.

Proposition 98

The provisions of Proposition 98 (1988) establish a minimum funding guarantee for TK through community college education based on complex calculations and interactions of a number of economic and demographic variables. The budget contains a Proposition 98 school funding guarantee of \$85.8 billion for the 2021-22 fiscal year. Ongoing Proposition 98 expenditures for TK through grade 12 in 2020-21 are projected to average \$12,648 per pupil, about \$1,994 more per pupil than in the 2020-21 Budget Act, though individual school funding will vary based on grade span, pupil need, and program.

Proposition 98 Adjustments for the Current Year: When the budget was enacted in June there was significant uncertainty about the economy and the budget assumed that the pandemic would have a much more significant impact on state revenues than what came to pass. As a result of much more state revenue than anticipated, the Governor's Budget includes revisions to the Proposition 98 funding guarantee for 2019-20 and 2020-21. For 2019-20, the guarantee has increased about \$1.9 billion and for 2020-21 the guarantee has increased about \$11.9 billion compared to assumptions made last June when the budget was enacted. The governor proposes to use these funds for one-time purposes such as buying back deferrals and supporting schools reopening in the current year.

Proposition 98 Projection for the Budget Year: The Proposition 98 guarantee in 2021-22 is \$85.8 billion. This is an increase of \$3 billion over the revised 2020-21 guarantee of \$82.8 billion. The Governor's proposal uses this increase to provide COLA of 3.84 percent for the local control funding formula and 1.5% for other to TK-12 programs, and other priorities as discussed below.

Supplemental Proposition. 98 Payment: The 2020 Budget Act included a multi-year plan to supplement Proposition 98 and mitigate projected declines due to revenue reductions. But fortunately, the anticipated declines did not materialize. As a result, the budget proposes to remove the phased-in supplemental payment from statute but include a one-time supplementary payment to TK-14 schools of \$2.3 billion in 2021-22. This will bring total Proposition 98 funding up to \$88.1 billion.

Proposition 98 Guarantee 2021-22 Governor's Budget (Dollars in Billions)			
	2019-20	2020-21	2021-22
Total Prop. 98	\$79.5	\$82.8	\$88.1

Local Control Funding Formula (LCFF)

The Governor’s Budget contains a \$2 billion Proposition 98 General Fund increase for the LCFF COLA, which brings total LCFF funding to about \$64.5 billion.

Beginning in 2021-22, the governor has proposed clarifying the use of LCFF supplemental grants to ensure the funds are used to support high-need students in accordance with the Local Control Accountability Plan when those funds are unspent in one year and carried over into a future fiscal year. This equity issue was raised in AB 1835 (Weber) last year, which CCSA supported.

The LCFF provides a base target per-pupil rate by grade level span (TK-3, 4-6, 7-8 and 9-12) and additional grade span adjustments for K-3 and high school average daily attendance (ADA). Each pupil who is identified as an English Learner, or eligible for free or reduced priced meals (FRPM), or a foster youth, generates an additional supplement. Finally, in addition to the base and supplement, districts and charter schools receive an additional weighted grant if they have a high concentration of high-needs pupils overall.

Below are the estimated rates, supplements and multipliers under the LCFF for 2021-22. Grade level rates per ADA are revised annually for inflation, including a 3.84 percent COLA for 2021-22. This COLA represents a compounded settle-up adjustment of the unfunded 2020-21 COLA plus the statutory COLA of 1.5 percent for the 2021-22 school year. Actual funding to be received by each school will vary depending on the pupil population.

LCFF Funding Element	LCFF Amounts for 2021-22
Grade TK-3 Base	\$7,998
Grade K-3 Grade Span Adjustment	\$ 831 (10.4% of K-3 target)
Grade 4-6 Base	\$8,117
Grade 7-8 Base	\$8,359
Grade 9-12 Base	\$9,687
Grade 9-12 Grade Span Adjustment	\$ 252 (2.6% of 9-12 target)
Supplement per unduplicated Free or Reduced Priced Meal Eligible Pupil, English Learner or Foster Youth	20% of average base and add-on funding per eligible ADA
Concentration Supplement per pupil above 55% of the lesser of total district or charter percent high need	50% of average base and add-on funding per eligible ADA above 55%



LCFF Tools: The information above provides a brief overview of the LCFF and the estimated component rates for 2021-22. However, an additional tool available is an LCFF simulator developed by the state Fiscal Crisis and Management Assistance Team (FCMAT) to assist schools in estimating LCFF funding. The FCMAT simulator is a downloadable interactive spreadsheet. The Governor’s Budget version will be available at: <https://www.fcma.org/lcff>.

In building budgets, charter schools should also include non-LCFF funding sources such as federal funds, special education funds, the mandate block grant, facility grants, and any other funding the school may receive.

TK-12 Education Funding Proposals

In-Person Instruction Grants (Urgent Action Requested): The governor proposes \$2 billion dollars in one-time funding, subject to urgent action by the Legislature, to provide resources for Local Education Agencies (LEAs) (except nonclassroom-based charter schools and all independent-study students) related to safe reopening for in person instruction this year. Key elements of the proposal include:

- Funds would be available beginning February 2021 for LEAs that submit a specified plan to reopen when its county has achieved a case count below 28 per 100,000 people.
- LEAs with an approved plan (in accordance with specified public health guidance) would receive from \$450 to \$700 per total certified ADA based on LCFF the base and supplemental grant proportions of the LEA. Schools applying in March will have a lower grant amount.
- When the county reaches the threshold for safe opening, LEAs would be required to offer on-site instruction with priority for students in TK through 2nd grade, students with disabilities, foster or homeless youth, and students without access to technology. After March 15, open LEAs must also offer on-site instruction to 3rd through 6th grade students.
- The proposal does not appear to provide any specific restrictions on the specific amount or form of in-person instruction provided as long as all students have access through the remainder of the school year. Blended and hybrid offerings would be allowed.
- Use of funds would be flexible for any purpose that supports in-person instruction and would be allowed to be spent until December 31, 2021.

It is unclear how quickly, or if, the Legislature will move on this proposal. The Legislative Analyst’s Office has raised concern about the short application timelines, and others have noted unreasonable obligations for COVID testing for students, and other logistic and safety issues. CCSA also opposes the exclusion of nonclassroom-based schools that offer site-based instruction. It is unclear whether the Legislature will act quickly, or if final action will address some of these concerns.

Expanded Learning and Academic Intervention Grants: To address learning loss due to the pandemic, the budget proposes \$4.6 billion in one-time funds to LEAs for targeted local strategies that might include activities such as extended school year, summer school or community learning hubs. Funds could be targeted for high-needs students. The governor requests early action by the Legislature by this spring to provide LEAs with time to design targeted interventions. Details on the funding allocation methodology or specific program requirements have not been released.

Federal Coronavirus Response & Relief Act: The Governor's Budget was final before the federal government acted on the latest pandemic relief bill, so those funds are not included in the proposal. However, California's TK-12 schools are expected to see roughly \$6.8 billion of new federal relief funds in 2021. These dollars will all be allocated to states and ultimately LEAs based upon Title I distributions for 2020-21. Under federal law, schools that do not participate in Title I will not be eligible for these new funds. CDE will allocate these funds to LEAs. While Title I is used for purposes of determining distribution of funding, the permissible expenditures are very broad, including allowable activities under virtually all federal programs as well as a long list of COVID-related expenses.

The federal funding also includes a small Governor's Education Emergency Relief Fund which will provide about \$150 million to Governor Newsom for any purpose related to COVID relief for early education through higher education. A proposal for this funding was not included in the Governor's budget.

Deferral Relief: The 2020 Budget Act imposed significant deferrals of LCFF apportionments, in the amounts of \$1.9 billion in 2019-20, growing to more than \$11 billion in 2020-21. Apportionment deferrals create significant cashflow issues for many charter schools. Fortunately, many schools have been able to find short-term relief for the current fiscal year through the California School Finance Authority, state deferral waivers or other lending options.

As a result of significant one-time revenue increases compared to the 2020 Budget Act assumptions, the budget pays off the full TK-12 deferral for 2019-20 and \$7.3 billion of the TK-12 deferral for 2020-21, leaving an ongoing TK-12 deferral balance of \$3.7 billion in 2021-22. The remaining deferrals in 2021-22 will only impact the June 2022 apportionment, which will be delayed into July 2022. As a result, schools will experience only a few weeks of delay in receiving apportionment for 2021-22.

It is important to note that the cash deferrals for FY 2020-21 starting next month (February 2021) are not affected by the Governor's Budget for 2021-22. The repayment schedule for these deferrals remains, with schools receiving these apportionments from July through November 2021 as enacted in the 2020 Budget Act.

Cost of Living Adjustment (COLA): The education COLA for 2021-22 is estimated at 1.5 percent. This factor will likely be updated at the May Revision to the Budget. The COLA provides about \$85.7 million more for several categorical programs that remain outside of the LCFF such as special education, nutrition, mandate block grant and the Charter School Facility Grant Program. For 2021-22, the Governor proposes a COLA of 3.84% for the LCFF to adjust for the lack of COLA funding in 2020-21. The Department of Finance has projected the following COLA estimates for future years, which may assist in long-term budget planning:

Year	Estimated COLA
2021-22	1.5%*
2022-23	2.82%
2023-24	2.98%
2024-25	3.05%

* Represents the Statutory required COLA. For 2021-22 the budget provides a COLA of 3.84% for the LCFF to add on the COLA that was not provided in 2020-21.



Charter School Facility Grants: The budget contains a COLA of 1.5 percent for the SB 740 Charter School Facility Grant Program for a total of \$141 million. Based on information from the California School Finance Authority (CSFA), we estimate that even with the COLA increase, the program could experience a funding shortfall in the current and budget years. Without new funding, a shortfall would result in schools having their award reduced proportionately to match available funds. We will evaluate program need at the May Revision when more accurate program data is available and advocate for more funding accordingly. More program information can be found at:

<http://www.treasurer.ca.gov/csfa/csfgp/index.asp>.

Adults in Charter Schools:

Last spring the Governor's May Revision proposed a prohibition on adult attendance in charter schools. CCSA opposed the plan, which was rejected by the Legislature. The Governor's budget now offers a revised proposal on this issue. The specific provisions of this new proposal have not yet been released, but the proposal appears to attempt to focus on a perceived lack of clarity in the law regarding the "exclusive partnerships" with a state or federal job-training programs that schools must have to serve adults. The budget proposes to clarify the existing law and provide the CDE with the authority to collect information from charter schools that receive funding for adult students to validate their compliance with the governing statutes. The proposal would also preserve existing programs funded in 2019-20 after a review of the program.

Special Education: In addition to a 1.5 percent COLA for state-funded special education, the Governor's Budget proposes further investing in early interventions and improving the ability of LEAs to draw down federal funds for medical interventions. Specifically, the budget provides:

- \$300 million ongoing funds for the Special Education Early Intervention Grant for infants, toddlers, and preschoolers.
- \$5 million one-time funds to increase capacity to access federal Medi-Cal funds, and \$250,000 for a lead county office of education to provide guidance for Medi-Cal billing within the statewide system of support.

Quality Teachers:

The budget includes a \$315.3 million one-time funding package for educator professional development, including:

- \$250 million for the Educator Effectiveness Block Grant to LEAs to expedite professional development for teachers and staff in topics including accelerated learning, re-engaging students, restorative practices and implicit bias.
- \$50 million for statewide resources and professional development on social-emotional learning and trauma-informed practices.
- \$8.3 million for the California Early Math Initiative for professional development in mathematics teaching strategies for young children pre-K through third grade.
- \$7 million (non-Proposition 98) to the University of California Subject Matter Projects for professional development content on learning loss in core subject areas like reading and math and ethnic studies.
- \$5 million for professional development and instructional materials for offering courses on ethnic studies.

The budget also includes \$225 million in one-time funds to improve the state's teacher pipeline, including:

- \$100 million for the Golden State Teacher Grant Program.
- \$100 million for the Teacher Residency Program, for programs dedicated to preparing and retaining teachers in high-need communities and subject areas.
- \$25 million for the Classified School Employees Credentialing Program, which provides grants to recruit non-certificated school employees to become teachers.

Early Education:

To encourage more LEAs to offer TK to younger children (and thereby expanding access to publicly funded preschool), the budget includes the following one-time funding:

- \$250 million for grants to LEAs that offer early access to TK, for up-front costs of expanding their TK programs.
- \$50 million for the preparation of TK teachers and training of both TK and kindergarten teachers on instruction in inclusive classrooms.
- \$200 million for LEAs to construct and retrofit existing facilities to support TK and full-day kindergarten programs.

TK-12 Average Daily Attendance (ADA): Department of Finance’s statewide TK-12 ADA projections are provided in the following table:

Year	Estimated TK-12 ADA	Change
2019-20	5,891,369	-0.52%
2020-21	5,859,649	-0.52%
2021-22	5,828,073	-0.54%

STRS/ PERS Contributions

As you may recall, to provide LEAs with increased fiscal relief, the 2020 Budget redirected \$2.3 billion to further reduce employer pension contribution rates in 2020-21 and 2021-22. As a result, for 2021-22, CalSTRS will reduce the employer rate from 18.1 percent to approximately 15.92 percent, and CalPERS will reduce the Schools Pool employer contribution rate from 24.9 percent to 23 percent.

Minimum Wage Increase: Another issue that schools should consider in longer range budget planning is the continued increase in the minimum wage to reach \$15.00 per hour. Schools will need to plan for both the wage increase, and related benefits related to wages for minimum-wage employees. Some local jurisdictions may have increases not reflected here, so schools should also monitor any local action on minimum wage. The following table shows the increase in the minimum wage under state law.

Year	Minimum Wage for Employers with less than 26 Employees	Minimum Wage for Employers with 26 or more Employees
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00



Legislative Analyst's Office Response

The State's Legislative Analyst's Office (LAO) has provided an initial response to the Governor's Budget. The complete LAO summary is [available here](#) or at: www.lao.ca.gov. Overall, the LAO reports that the Governor's proposal is generally sound and offers a reasonable mix of one-time and ongoing spending. The LAO raises concern with the Governor's plan to not fully buyback all the apportionment deferrals noting that "paying down deferrals would better position districts and the state to weather economic volatility by reducing pressure on future Proposition 98 budgets." The LAO has also raised concerns about specific logistics and timing of the school reopening proposal. The LAO will provide a more detailed analysis of each program area, including education, in the coming weeks.

Next Steps

The Governor's Budget is only the first step in enacting the state budget for 2021-22. The Legislature must act on this proposal, and will no doubt have its own priorities and ideas for managing the state's finances. The Department of Finance is expected to release more programmatic details in the Budget Trailer Bill soon. The Legislature is expected to take early action on mid-year adjustments in the coming weeks and continue budget hearings through the spring. Economic assumptions, including the COLA, will be updated in mid-May. The Legislature must adopt the 2021-22 budget by June 15. CCSA will provide regular updates in our **Capitol Update** newsletter and CCSA member portal as the budget moves forward, and we will keep you informed on how you can participate in advocating for positive budget outcomes for charter schools.